

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	81.78	0.50	62.91	145.19	0.50	63.41	145.69	145.69
Personal Services	3,219,035	225,496	2,582,996	6,027,527	245,133	2,613,630	6,077,798	12,105,325
Operating Expenses	1,767,512	418,481	7,140,574	9,326,567	(426,748)	7,358,941	8,699,705	18,026,272
Equipment	6,074	0	361,600	367,674	0	17,700	23,774	391,448
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	42,990	0	0	42,990	0	0	42,990	85,980
Transfers	0	933,055	0	933,055	933,055	0	933,055	1,866,110
Debt Service	32,050	0	1,145,578	1,177,628	0	1,145,577	1,177,627	2,355,255
Total Costs	\$5,067,661	\$1,577,032	\$11,230,748	\$17,875,441	\$751,440	\$11,135,848	\$16,954,949	\$34,830,390
General Fund	3,955,998	(278,357)	697,859	4,375,500	(313,299)	625,483	4,268,182	8,643,682
State/Other Special	1,041,985	129,223	1,562,389	2,733,597	138,404	1,565,318	2,745,707	5,479,304
Federal Special	28,670	793,066	42,579	864,315	(6,936)	40,717	62,451	926,766
Capital Projects	0	933,055	0	933,055	933,055	0	933,055	1,866,110
Proprietary	41,008	45	8,927,921	8,968,974	216	8,904,330	8,945,554	17,914,528
Total Funds	\$5,067,661	\$1,577,032	\$11,230,748	\$17,875,441	\$751,440	\$11,135,848	\$16,954,949	\$34,830,390

Agency Description

The Department of Administration provides central services for state agencies in the following areas:

- ?? Accounting and financial reporting (Accounting and Management Support Program)
- ?? Warrant writing (Accounting and Management Support Program)
- ?? Technical assistance and training to local government accounting and financial personnel (Accounting and Management Support Program)
- ?? Audit review and enforcement for local governments (Accounting and Management Support Program)
- ?? Consumer affairs (Accounting and Management Support Program)
- ?? State bonded indebtedness administration (Accounting and Management Support Program)
- ?? State treasury services (Accounting and Management Support Programs)
- ?? Capitol complex building maintenance and security (General Services Program)
- ?? State financial institution oversight and regulation (Banking and Financial Division)
- ?? Montana State Lottery
- ?? Insurance coverage and Tort Claims Act administration (Risk Management and Tort Defense Program)
- ?? Information systems development, telecommunications, and data processing (Information Systems Division)
- ?? Personnel management and labor relations (State Personnel Division)
- ?? Purchasing and surplus property administration (Procurement and Printing Division)
- ?? Duplicating, mail, and messenger services (Procurement and Printing Division)

The department also administers the state Long Range Building Program and state employee group benefits program. In addition, the Board of Examiners, the State Tax Appeal Board, the Appellate Defender, the Public Employees' Retirement Board, and the Teachers' Retirement Board are attached to the department for administrative purposes only.

The main table above includes only a portion of the department's total funding. Several functions are funded with proprietary funds that do not require an appropriation. These proprietary functions are discussed in the proprietary program narratives.

Summary of Legislative Action

The HB 2 legislative budget shows an increase of 63.91 FTE and total budget increase of nearly \$24.7 million over the base for the two years of the biennium (\$34.8 million over the 2001 biennium budget of \$10.4 million). The most significant factor behind the apparently large increase can be attributed to passage of SB 445, which transferred the functions and funding of four divisions from the Department of Commerce to the department. SB 445 moved 67.5 FTE

and \$22.5 million total budget authority to the department (\$1.5 million general fund). SB 445 accounts for 91 percent of the budget growth for the department. Table 1 shows the fiscal impacts of SB 445 for the department. Another factor that contributed an additional nearly 8 percent to the growth is legislative approval of \$1.9 million capitol land grant funds to offset rent payments on the capitol complex. The remaining growth can be attributed to statewide present law adjustments such as inflation, fixed costs, and personal services adjustments to bring authorized positions to funding levels authorized by the 1999 legislature.

Table 1
Senate Bill 445
2003 Biennium Impacts on Department of Administration

Program	FTE	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total 2003 Biennium
Accounting and Management Support (03)						
Local Government Services (HB 2)	6.5	\$ 873,950	\$ -	\$ -	\$ -	\$ 873,950
Local Government Services (non-budgeted proprietary)	4.0	-	-	-	701,509	\$ 701,509
Office of Consumer Affairs	5.3	645,073	149,008	-	-	\$ 794,081
New Program (14)						
Banking and Financial Institutions	24.3	-	2,978,699	-	-	\$ 2,978,699
New Program (15)						
Montana State Lottery	<u>31.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,832,251</u>	<u>\$17,832,251</u>
Total (budgeted and non-budgeted)	71.5	\$1,519,023	\$ 3,127,707	\$ -	\$18,533,760	\$23,180,490
Total budgeted funds	<u>67.5</u>	<u>\$1,519,023</u>	<u>\$ 3,127,707</u>	<u>\$ -</u>	<u>\$17,832,251</u>	<u>\$22,478,981</u>

Other Legislation

Senate Bill 138 - SB 138 revised the laws pertaining to local government accounting, budgeting, and financial matters. The bill adds responsibility to the department to provide additional guidance to local governments. As a result, the executive projected an additional 0.5 FTE would be needed in fiscal 2003, with a corresponding increase in general fund expenditures of \$28,446. The legislature provided funding for 0.5 FTE beginning in fiscal 2003 to implement SB 138.

Senate Bill 445 - SB 445 reorganized the Department of Commerce and reassigned certain functions to other entities. Four programs formerly of the Department of Commerce - Local Government Services Division, Consumer Affairs Office, Banking and Financial Institutions Division, and Montana State Lottery - were transferred to the Department of Administration. SB 445 resulted in moving 71.5 FTE to the Department of Administration, of which 4.0 FTE are associated with non-budgeted proprietary funded functions. The bill also moved roughly \$22.5 million total budgeted funds to the department. Of the budgeted funds, \$1.5 million is general fund, \$3.1 million is state special revenue, and \$17.8 million is proprietary funds. In addition, \$701,509 non-budgeted proprietary funds were moved to the department.

House Bill 47 - HB 47 revised the laws pertaining to state investments. The bill eliminated the requirement for bank examiners to examine loans and investments maintained by the Board of Investments. Therefore, the Banking and Financial Institutions Division will not need to charge the Board of Investments for audits. The projected impact is a reduction of \$4,200 state special revenue for the biennium. The legislature did not adjust the budget for this impact.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg – Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg – Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	81.78	83.78	145.19	61.41	83.78	145.69	61.91	
Personal Services	3,219,035	3,549,178	6,027,527	2,478,349	3,569,360	6,077,798	2,508,438	4,986,787
Operating Expenses	1,767,512	3,284,586	9,326,567	6,041,981	2,297,949	8,699,705	6,401,756	12,443,737
Equipment	6,074	6,074	367,674	361,600	6,074	23,774	17,700	379,300
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	42,990	42,990	42,990	0	42,990	42,990	0	0
Transfers	0	0	933,055	933,055	0	933,055	933,055	1,866,110
Debt Service	32,050	32,050	1,177,628	1,145,578	32,050	1,177,627	1,145,577	2,291,155
Total Costs	\$5,067,661	\$6,914,878	\$17,875,441	\$10,960,563	\$5,948,423	\$16,954,949	\$11,006,526	\$21,967,089
General Fund	3,955,998	3,902,999	4,375,500	472,501	3,729,056	4,268,182	539,126	1,011,627
State/Other Special	1,041,985	1,173,456	2,733,597	1,560,141	1,182,637	2,745,707	1,563,070	3,123,211
Federal Special	28,670	864,315	864,315	0	62,451	62,451	0	0
Capital Projects	0	933,055	933,055	0	933,055	933,055	0	0
Proprietary	41,008	41,053	8,968,974	8,927,921	41,224	8,945,554	8,904,330	17,832,251
Total Funds	\$5,067,661	\$6,914,878	\$17,875,441	\$10,960,563	\$5,948,423	\$16,954,949	\$11,006,526	\$21,967,089

Executive Budget Comparison

The legislative budget reflects a net increase over the Executive Budget of nearly \$22 million for the 2003 biennium. Increases of nearly \$18 million proprietary funds account for the majority of the difference, with a \$3.1 million state special revenue increase and a \$1.0 million general fund increase making up the remaining difference. The major factors for the difference are: 1) SB 445 movement of four divisions of the Department of Commerce to the department (nearly \$22.5 million total fund increase); 2) the movement of the Personnel Unit in the Accounting and Management Support Program from general fund to non-budgeted proprietary funding (\$129,130 reduction); 2) reduction of a new proposal associated with an accounting standard change (\$40,000 reduction); 3) elimination of funding for the Public Safety Communications Program (\$62,677 reduction); 4) deferral of maintenance on the old Governor's mansion carriage house (\$22,190 reduction); 5) additional vacancy savings in two programs (\$116,897 reduction); and 6) statewide general fund travel reduction (\$8,244).

Language

Item [Accounting and Management Support Program] includes a reduction in general fund of \$4,122 in fiscal 2002 and \$4,122 in fiscal 2003. This reduction is the equivalent of an 8 percent reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item [State Personnel Division] includes a reduction of \$21,490 general fund in fiscal 2002 and \$21,564 general fund in fiscal 2003. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	20.42	0.50	10.50	31.42	0.50	11.00	31.92	31.92
Personal Services	894,623	54,658	439,949	1,389,230	60,398	458,863	1,413,884	2,803,114
Operating Expenses	245,883	25,658	454,773	726,314	(27,654)	361,887	580,116	1,306,430
Equipment	0	0	0	0	0	0	0	0
Local Assistance	40,231	0	0	40,231	0	0	40,231	80,462
Total Costs	\$1,180,737	\$80,316	\$894,722	\$2,155,775	\$32,744	\$820,750	\$2,034,231	\$4,190,006
General Fund	1,108,502	84,705	777,638	1,970,845	36,964	705,530	1,850,996	3,821,841
State/Other Special	2,557	2,500	74,505	79,562	2,500	74,503	79,560	159,122
Federal Special	28,670	(6,934)	42,579	64,315	(6,936)	40,717	62,451	126,766
Proprietary	41,008	45	0	41,053	216	0	41,224	82,277
Total Funds	\$1,180,737	\$80,316	\$894,722	\$2,155,775	\$32,744	\$820,750	\$2,034,231	\$4,190,006

Program Description

The Accounting and Management Support Program consists of several units. The Director's Office is responsible for overall supervision and coordination of agency programs and administratively attached boards and agencies. The Legal Unit provides legal services to agency and administratively attached boards and agencies. The Accounting Bureau is the process owner of the financial portion of the Statewide Budgeting, Accounting, and Human Resource System (SABHRS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, processes warrants for all state agencies, and prepares the state Comprehensive Annual Financial Report (CAFR). The Management Support Bureau and Personnel function provide financial, budgeting, accounting, personnel, payroll, and data processing functions for the department.

The program also includes the Local Government Services functions and Consumer Affairs Office, which were transferred to the department by the 2001 legislature as part of a reorganization of the Department of Commerce. The Local Government Services: 1) provides technical assistance and training to local government accounting and financial personnel in the areas of local government finance, accounting, budgeting and financial reporting through on-site visits, telephone assistance, and local government training seminars; and 2) is responsible for defining, reviewing, and enforcing auditing requirements for Montana's local governments. Local Government Services staff reviews all of the jurisdictions' annual financial reports and certifies compliance of local governments with the state Single Audit Act.

The Consumer Affairs Office advocates on the behalf of Montana consumers in matters of unfair or deceptive acts in the conduct of any business. The office investigates consumer complaints and provides an informal mediation process for consumer complaints against businesses. The office enforces Montana consumer protection laws and regulations relating to telemarketing, personal solicitation of sales, the New Motor Vehicle Warranty, Consumer Protection, and Unfair Trade Practices acts.

Funding

The Director's Office and the Accounting and Management Support Bureau are funded with general fund. The legal, warrant writing, data processing support, and personnel functions are funded with proprietary funds, which derive revenue from allocation of costs to programs and administratively attached agencies and boards. The proprietary funded portions of the division are not included in the budget table. The Treasury Unit of the Management Support Bureau receives minor funding from the Board of Investments proprietary account. The cost of the general services of the financial advisor is funded with state special revenue from fees charged for state-administered bond issues. The U.S. Treasury Department reimburses the state for the cost of complying with the federal Cash Management Improvement Act.

The Local Government Services functions that provide technical assistance and training to local governments on accounting and budgeting are funded with general fund. The audit related functions of Local Government Services are funded from enterprise type proprietary funds, and are not listed in the funding tables.

The Consumer Affairs Office is funded from the general fund and state special revenue funds derived from court settlements received as a result of litigation of consumer law violations. This revenue will fluctuate depending upon the number and size of settlements. Such settlements are generally restricted by the courts to the promotion of greater consumer awareness.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				68,123						74,013
Vacancy Savings				(26,529)						(26,704)
Inflation/Deflation				(5,769)						(5,549)
Fixed Costs				34,720						(16,335)
Total Statewide Present Law Adjustments				\$70,545						\$25,425
DP 4 - Miscellaneous Operating Increases for Accounting	0.50	25,258	0	0	25,258	0.50	25,343	0	0	25,343
DP 6 - Financial Advisor Fees adjustment	0.00	0	2,500	0	2,500	0.00	0	2,500	0	2,500
DP 10 - Policemen's Retirement Fund Actuarial Review	0.00	2,450	0	0	2,450	0.00	0	0	0	0
DP 696 - Data Network Fixed Cost Reduction	0.00	(270)	0	0	(270)	0.00	(270)	0	0	(270)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(7,791)	0	0	(7,973)*	0.00	(7,817)	0	0	(8,000)*
DP 699 - Vacancy Savings at 4 Percent	0.00	(11,741)	0	(453)	(12,194)	0.00	(11,799)	0	(455)	(12,254)
Total Other Present Law Adjustments	0.50	\$7,906	\$2,500	(\$453)	\$9,771*	0.50	\$5,457	\$2,500	(\$455)	\$7,319*
Grand Total All Present Law Adjustments				\$80,316*						\$32,744*

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 4 - Miscellaneous Operating Increases for Accounting - The legislature approved funding to add 0.5 FTE grade 16 accountant to address workload issues associated with the recent release of Governmental Accounting Standards Board (GASB) Statement 34, which makes major changes in governmental financial reporting standards.

DP 6 - Financial Advisor Fees adjustment - The legislature approved increased funding for the Capital Finance Advisory Council to hold two meetings each year.

DP 10 - Policemen's Retirement Fund Actuarial Review - The legislature approved increased funding for the biennial actuarial review of the policemen's retirement fund. The legislature designated this as a biennial appropriation and restricted it to be used only to pay costs for the actuarial review of the policemen's retirement fund.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capitol Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 2 - Accounting Bureau Contracted Services										
03	0.00	100,000	0	0	100,000	0.00	0	0	0	0
DP 3 - Accounting CMIA FTE										
03	1.00	0	0	42,579	42,579	1.00	0	0	40,717	40,717
DP 30 - Move Personnel Unit to Proprietary Funding										
03	(1.75)	(64,565)	0	0	(64,565)	(1.75)	(64,565)	0	0	(64,565)
DP 31 - SB 138 - Special Purpose District Reports FTE										
03	0.00	0	0	0	0	0.50	28,446	0	0	28,446
DP 445 - SB 445 - Commerce Department Reorganization										
03	11.25	746,325	74,505	0	820,830	11.25	745,771	74,503	0	820,274
DP 693 - Statewide Travel Reduction										
03	0.00	(4,122)	0	0	(4,122)	0.00	(4,122)	0	0	(4,122)
Total	10.50	\$777,638	\$74,505	\$42,579	\$894,722	11.00	\$705,530	\$74,503	\$40,717	\$820,750

New Proposals

DP 2 - Accounting Bureau Contracted Services - The legislature approved funding for contracted services to assist in implementing changes to financial reporting standards made by GASB. Funding for this function was designated as a one-time-only and biennial appropriation.

DP 3 - Accounting CMIA FTE - The legislature approved funding to add 1.0 FTE grade 14, management analyst and miscellaneous office expenses to provide agencies receiving \$4.0 million or more in federal funds with assistance on complying with the federal Cash Management Improvement Act (CMIA).

DP 30 - Move Personnel Unit to Proprietary Funding - The legislature approved moving the functions of the department's personnel unit to a proprietary funded function.

DP 31 - SB 138 - Special Purpose District Reports FTE - The legislature provided funding to add a 0.5 FTE grade 12 position during fiscal 2003 to implement special purpose district reports required when SB 138 was passed by the legislature.

DP 445 - SB 445 - Commerce Department Reorganization - The legislature passed SB 445, which moved portions of the Department of Commerce to the Department of Administration. Funding associated with the Local Government Services Division and the Office of Consumer Affairs previously performed by the Department of Commerce was moved to the Accounting and Management Support Program. When these two functions were moved, the net effect of their base budgets and all adjustments made by the legislature was moved as well. In summary, the legislature had made the following adjustments to the budgets for the Local Government Services Division and the Office of Consumer Affairs (amounts are for the biennium unless otherwise noted):

Local Government Services Division – From a fiscal 2000 funding base of \$400,729 general fund, the legislature provided:

- ?? A general fund increase of \$10,984 to accommodate increased rent costs resulting from the division's move into the Federal Building
- ?? A general fund increase of \$32,013 for administrative cost increases, including travel-related costs and indirect costs
- ?? A general fund reduction of \$108 to adjust for lower data network support fees and charges approved by the legislature
- ?? A general fund reduction of \$6,698 to increase the statewide vacancy savings rate to 4 percent and include the state share of health insurance premiums in the calculation for determining the amount

Consumer Affairs – From a fiscal 2000 funding base of \$267,953 (\$243,246 general fund), the legislature provided:

- ?? A general fund increase of \$52,971 and a state special revenue increase of \$7,430 for administrative cost increases such as: 1) updates to the consumer reference law library/Lexis Legal Database access (\$2,015 per year); 2) administrative hearings (\$8,000 per year); 3) communications/TV advertising increase (\$4,000 per year); 4) travel for education and legal work (\$6,000 per year); 5) education and training costs for investigative and legal staff (\$1,500 per year); and 6) indirect costs (\$6,000 per year)
- ?? A general fund reduction of \$192 to adjust for lower data network support fees and charges approved by the legislature
- ?? A general fund reduction of \$3,017 and state special revenue reduction of \$322 due to the use of Capitol Land Grant funds to augment rent payments made by tenants
- ?? A general fund reduction of \$5,346 to increase the statewide vacancy savings rate to 4 percent and include the state share of health insurance premiums in the calculation for determining the amount
- ?? A state special revenue increase of \$114,552 to accommodate expenditures resulting from the anticipated receipt of up to \$75,000 in class action settlements during each year of the biennium
- ?? A general fund increase of \$50,000 and a corresponding \$50,000 state special revenue reduction to replace state special revenue funding in anticipation of the inability to collect all civil fines levied against telemarketers (The legislature designated this as a restricted and one-time-only appropriation, and included language directing the department to seek and use state special revenue from consumer affairs legal settlements to offset and minimize the use of general fund.)
- ?? A general fund increase of \$62,708 and a corresponding \$62,708 state special revenue reduction for a funding switch due to the loss of the Lemon Law program's state special revenue funding source (The legislature designated this as a restricted and one-time-only appropriation, and included language directing the department to seek and use state special revenue from consumer affairs legal settlements to offset and minimize the use of general fund.)

The narrative for the Department of Commerce shows all base expenditures and adjustments made by the legislature prior to the enactment of SB 445 for historical purposes.

DP 693 - Statewide Travel Reduction - The legislature made a reduction in general fund each year equivalent to 8 percent of all general fund expenditures for travel in the fiscal 2000 budget base. The entire reduction was made to this division, with the allowance that the agency could reallocate this reduction among divisions when developing 2003 biennium operating plans.

Language

Item [Accounting and Management Support Program] includes a reduction in general fund of \$4,122 in fiscal 2002 and \$4,122 in fiscal 2003. This reduction is the equivalent of an 8 percent reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

The department is appropriated up to \$56,354 in state special revenue authority in each year of the biennium for operations within the Telemarketing and Lemon Law programs and shall seek and use state special revenue received from consumer affairs' settlements as authorized by a district court order to offset and minimize use of the general fund within the Telemarketing and Lemon Law programs, as provided in 17-2-108.

Proprietary Rates

Legal Services Unit (Fund 06504)

Program Description

The Legal Unit of the Director's Office advises all divisions within the department on legal matters. The unit receives the majority of its funding through the Legal Services internal service fund by charging the non-general fund divisions for services provided.

Revenues and Expenses

The Legal Services Unit devotes 1.33 FTE of their 2.0 FTE to the legal matters of non-general fund divisions and administratively attached agencies and boards. The allocation is based on a previous time study and experience during the 2001 biennium. The projected personal services and associated operating costs of the 1.33 FTE are allocated to the non-general funded entities based on the number of cases and time involvement in the cases. The Legal Services Unit bills on a semi-annual basis (in July and January), so the unit charges enough to generate a minimal cash reserve. The costs of the remaining 0.67 FTE are paid by the general fund and are included in the main budget tables.

Rate Explanation

The legislature approved rates for the Legal Services Unit as the percentage share of total revenue each program or division will pay. The rates approved by the legislature are:

	<u>Share (percent) of Total Revenues</u>	
	Fiscal 2002	Fiscal 2003
Teachers' Retirement	20%	20%
Employee Benefits Program	26%	26%
Risk Management and Tort Defense	2%	2%
General Services Division	7%	7%
Architecture and Engineering	18%	18%
Information Services Division	27%	27%

Significant Present Law Adjustments

PL 5 - Network Support Unit Rates for Legal Unit - By approving the rates for the Legal Services Unit the legislature concurred with increased funding to pay the higher indirect costs allocated by the Network Support Unit for maintenance support of unit computers and printers.

Network Support Unit (Fund 06560)

Program Description

The Network Support Unit administers all data processing functions of the department except those of the Information Services Division. The unit provides network support services, including installing software and hardware, responding to computer problems, and answering software questions. The unit also provides computer-programming services.

Revenues and Expenses

The unit anticipates revenues of \$165,149 in fiscal 2002 and \$168,482 in fiscal 2003. These amounts are increases of 40 percent and 43 percent over base year revenue. The unit anticipates expenses of \$159,090 in fiscal 2002 and \$159,899 in fiscal 2003. These amounts are increases of 42 percent and 43 percent over base year expenses and are mainly due to increases in salaries for information technology employees, increased data network costs, and increased programming needs.

Rate Explanation

The legislature approved rates of \$714 per computer in fiscal 2002 and \$732 per computer in fiscal 2003 for computer

support. For server support, the legislature approved rates of \$1,072 in fiscal 2002 and \$1,098 in fiscal 2003. The legislature also approved a 60-day working capital reserve rate for computer programming support.

Warrant Writer Program (Fund 06564)

Program Description

The Warrant Writer Program provides check writing and automatic-deposit capabilities for financial transactions to most state agencies. The program produces and processes warrants and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing.

The system handles about 2 million payment transactions per year. Payment transactions include warrant writing and electronic transfers for vendor payments, retirement payments for public employees and teachers, payroll, workers' compensation, income tax refunds, special refunds, and public assistance benefit payments. In addition, the program maintains a central payee file to facilitate payment processing. The program also consolidates 1099-MISC information for the Internal Revenue Service (IRS). The program coordinates compliance with IRS rules governing 1099 MISC-filings and error reports.

Revenues and Expenditures

The program uses historical data to forecast the following categories of payments: mailer warrants, non-mailer warrants, emergency warrants, duplicate warrants, external warrants, and electronic fund transfers. The program forecasts revenues of \$831,766 in fiscal 2002 and \$845,138 in fiscal 2003. These are increases of 14 percent and 16 percent from base year revenues. The program forecasts expenses of \$807,975 in fiscal 2002 and \$824,609 in fiscal 2003. These amounts are increases of 5 percent and 6 percent, respectively, from base year expenses. The increases in revenues and expenditures are because of a projected increase in postage and warrant stock.

Rate Explanation

The legislature approved the following rates for the Warrant Writer Program for the 2003 biennium:

	Fiscal 2002	Fiscal 2003
Mailer warrants	\$0.6170	\$0.6145
Nonmailer warrants	0.2080	0.2055
Emergency warrants	4.1329	4.1320
Duplicate warrants	5.6632	5.6624
Direct deposits	0.1671	0.1660
Externals - printed from an outside system	0.1850	0.1825

Significant Present Law Adjustments

PL5 - Network Support Unit Rates for Legal Unit/War Wtr - By approving the rates for the Warrant Writer Unit the legislature concurred with increased funding to provide an increase to the network support allocation to the Warrant Writer Unit for maintenance support of unit computers and printers.

Personnel Unit (Fund 06570)

Program Description

The Personnel Unit provides financial, budgeting, accounting, personnel, payroll, and data processing functions for the department and certain administratively attached boards and agencies. The Personnel Unit was moved by the legislature, during the joint appropriations subcommittee phase, from the HB 2-funded environment to be funded with proprietary funds.

Revenues and Expenditures

The Personnel Unit predicts revenues of \$88,262 in fiscal 2002 and \$92,691 in fiscal 2003. Since the unit was previously funded with a general fund appropriation, there is no comparative data for determining revenue growth for the unit. The unit predicts expenditures of \$64,565 for each year of the 2003 biennium.

Rate Explanation

The legislature approved a total allocation of costs as the rate for the Personnel Unit and specified that the costs were to be allocated based on FTE being served by the unit in each division or administratively attached unit. For the 2003 biennium the total allocations authorized by the legislature are \$88,262 in fiscal 2002 and \$92,691 in fiscal 2003.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	17.50	0.00	(0.50)	17.00	0.00	(0.50)	17.00	17.00
Personal Services	761,997	78,193	0	840,190	83,145	0	845,142	1,685,332
Operating Expenses	272,835	26,526	0	299,361	29,955	0	302,790	602,151
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,034,832	\$104,719	\$0	\$1,139,551	\$113,100	\$0	\$1,147,932	\$2,287,483
State/Other Special	1,034,832	104,719	0	1,139,551	113,100	0	1,147,932	2,287,483
Capital Projects	0	0	0	0	0	0	0	0
Total Funds	\$1,034,832	\$104,719	\$0	\$1,139,551	\$113,100	\$0	\$1,147,932	\$2,287,483

Program Description

The Architecture and Engineering Division (A&E) manages remodeling and construction of state buildings. The division plans new and remodeling projects; advertises, bids, and awards construction contracts; administers contracts with architects, engineers, and contractors; disburses building construction payments; and provides design services for small projects. The division also formulates a long-range building plan for legislative consideration each session.

Funding

The Architecture and Engineering Division is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenditures.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				113,201					118,360
Vacancy Savings				(24,344)					(24,499)
Inflation/Deflation				3,668					6,088
Fixed Costs				16,197					17,155
Total Statewide Present Law Adjustments				\$108,722					\$117,104
DP 1 - Miscellaneous Operating Costs - DOA	0.00	13,277	0	13,277	0.00	0	13,341	0	13,341
DP 696 - Data Network Fixed Cost Reduction	0.00	(248)	0	(248)	0.00	0	(248)	0	(248)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(6,368)	0	(6,368)	0.00	0	(6,381)	0	(6,381)
DP 699 - Vacancy Savings at 4 Percent	0.00	(10,664)	0	(10,664)	0.00	0	(10,716)	0	(10,716)
Total Other Present Law Adjustments	0.00	\$0	(\$4,003)	(\$4,003)	0.00	\$0	(\$4,004)	\$0	(\$4,004)
Grand Total All Present Law Adjustments				\$104,719					\$113,100

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Miscellaneous Operating Costs - DOA - The legislature approved funding for increases in department indirect/administrative costs for services received from the proprietary funded Legal Services Unit and Network Support Unit.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	-----Fiscal 2002-----				-----Fiscal 2003-----				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 689 - FTE Reduction										
04	(0.50)	0	0	0	0	(0.50)	0	0	0	0
Total	(0.50)	\$0	\$0	\$0	\$0	(0.50)	\$0	\$0	\$0	\$0

New Proposals

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	10.36	0.00	0.00	10.36	0.00	0.00	10.36	10.36
Personal Services	407,827	4,779	0	412,606	6,576	0	414,403	827,009
Operating Expenses	94,623	2,644	0	97,267	3,726	0	98,349	195,616
Equipment	6,074	0	0	6,074	0	0	6,074	12,148
Total Costs	\$508,524	\$7,423	\$0	\$515,947	\$10,302	\$0	\$518,826	\$1,034,773
General Fund	508,524	7,423	0	515,947	10,302	0	518,826	1,034,773
Total Funds	\$508,524	\$7,423	\$0	\$515,947	\$10,302	\$0	\$518,826	\$1,034,773

Program Description

The Procurement and Printing Division is divided into four separate functions, as follows: 1) Publications and Graphics Bureau; 2) Property and Supply Bureau; 3) State Procurement Bureau; and 4) vehicle fueling, energy procurement, and state procurement card.

The Publications and Graphics Bureau provides printing, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, photo-reprographics, binding and quick copy, and photocopier pool services for state agencies.

The Property and Supply Bureau purchases, stocks, and sells office supplies, paper, janitorial supplies, and packaged computer software to state agencies and administers the sale of state and federal surplus property.

The State Procurement Bureau manages centralized purchasing for state agencies by investigating possible sources for products, determining alternate product possibilities, preparing specifications, enforcing the terms and conditions outlined in purchase orders, and providing technical assistance to state agencies regarding purchasing laws.

The vehicle fueling, energy procurement, and state procurement card functions administer contracts for the statewide fueling network, the deregulated purchase of electricity and natural gas, and the state's MasterCard contract for the automated processing of small purchases.

Funding

The division is funded with general fund and proprietary funds. The Publications and Graphics Bureau is funded with proprietary funds derived through payments for services provided to other state agencies. The Property and Supply Bureau is funded with proprietary funds derived through payments for goods and services provided to local governments and other state agencies. The State Procurement Bureau is funded from the general fund. The vehicle fueling, energy procurement and State Procurement Card functions are funded with proprietary funds derived through markups on the cost of fuel and natural gas purchased for resale to state institutions and university system units.

Since only the State Procurement Bureau is funded with general fund, the amounts in the main budget table pertain only to that bureau.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				21,971					23,843	
Vacancy Savings				(11,794)					(11,850)	
Inflation/Deflation				293					712	
Fixed Costs				4,553					5,016	
Total Statewide Present Law Adjustments				\$15,023					\$17,721	
DP 4 - Procurement Other Fixed Costs	0.00	1,667	0	0	1,667	0.00	1,880	0	0	1,880
DP 696 - Data Network Fixed Cost Reduction	0.00	(183)	0	0	(183)	0.00	(183)	0	0	(183)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(3,686)	0	0	(3,686)	0.00	(3,699)	0	0	(3,699)
DP 699 - Vacancy Savings at 4 Percent	0.00	(5,398)	0	0	(5,398)	0.00	(5,417)	0	0	(5,417)
Total Other Present Law Adjustments										
	0.00	(\$7,600)	\$0	\$0	(\$7,600)	0.00	(\$7,419)	\$0	\$0	(\$7,419)
Grand Total All Present Law Adjustments				\$7,423					\$10,302	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 4 - Procurement Other Fixed Costs - The legislature approved funding for increases in department indirect/administrative costs for services received from the proprietary funded centralized service functions of the agency.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

Proprietary Rates

Publications and Graphics Account (Fund 06530)

Program Description

The Publications and Graphics Bureau prints; duplicates; provides photocopy pool copiers; provides typography; provides all aspects of graphic design and production, including layout and design, graphic and illustrative art, photo-reprographics, binding, and quick copy; and contracts certain printing functions to private printing vendors.

Revenues and Expenses

The program anticipates revenues of \$5.7 million in fiscal 2002 and \$6.1 million in fiscal 2003. These amounts are

increases of approximately 8 percent and 14 percent, respectively, over base year revenue. The program anticipates expenses of \$5.8 million in fiscal 2002 and \$6.2 million in fiscal 2003. These amounts are increases of approximately 8 percent and 16 percent, respectively, over base year expenses.

Rate Explanation

The legislature approved a rate for operation of the Publications and Graphic Bureau based on maintaining no more than a 60-day working capital reserve.

Significant Present Law Adjustments

DP 1 - Programmer: P&G - When the legislature approved the rates, it concurred with providing funding to add 0.34 FTE grade 15, programmer/analyst and associated operating expenses to provide dedicated programming and computer support.

DP 6 - P&G Present Law Adjustment - When the legislature approved the rates for the Publications and Graphics Program, it concurred with providing funding for overtime and increased operating expenses and equipment.

Central Stores Account (Fund 06531)**Program Description**

Central Stores purchases, warehouses, sells, and delivers commonly used items to all state agencies in the following categories: office supplies, coarse paper, fine paper, computer paper, janitorial supplies, printed forms, and software.

Revenues and Expenditures

The program anticipates revenues of \$4.7 million in fiscal 2002 and \$4.7 million in fiscal 2003. These amounts are increases of roughly 11 percent for each year of the 2003 biennium, over base year revenue. The program anticipates expenses of \$4.7 million in fiscal 2002 and \$4.6 million in fiscal 2003. These amounts are increases of approximately 5 percent per year over base year expenses.

Rate Explanation

The legislature approved a rate for the operation of the Central Stores based on maintaining no more than a 60-day working capital reserve.

Significant Present Law Adjustments

DP 7 - P&S Accountant 1.0 FTE - When the legislature approved the rates for the Property and Supply Program, it concurred with providing funding to add a 1.0 FTE grade 12 accountant to address workload increases. The additional staffing would assist with order entry, invoicing, accounts receivable, special projects, and would function as a backup for other accounting staff. The position would also assist in reconciling the bureau's subsystem to SABHRS.

DP 8 - P&S Equip, Goods for Resale, Indirect/Admin Costs - When the legislature approved the rates for the Property and Supply Program, it concurred with providing funding to replace personal computers, a network server, and printers that the program considers to be obsolete. Funding would also fund inflationary increases in the costs of goods purchased for resale and increases in department indirect/administrative costs for services received from the proprietary funded Legal Services Unit and Network Support Unit.

Natural Gas Procurement Account (Fund 06558)**Program Description**

The Natural Gas Transportation Program purchases natural gas and electricity competitively from outside suppliers for qualifying state agencies.

Revenues and Expenditures

The program anticipates revenues of \$104 per year in fiscal 2002 and fiscal 2003. These amounts are decreases of 74 percent over base year revenue. The program anticipates expenses of \$104 per year in fiscal 2002 and fiscal 2003. These amounts are decreases of approximately 77 percent over base year expenses.

Rate Explanation

The legislature approved a break-even working capital balance (no reserve) as the rate for the Natural Gas Procurement Program.

Statewide Fueling Network Account (Fund 06561)**Program Description**

The Purchasing Bureau Vehicle Fueling Program provides for fueling of public vehicles through an integrated commercial/public fueling network. The program automates the accounting and transaction processing functions associated with vehicle fueling, offers a system of security, maintains agency tax-exempt status for transactions anywhere on the network, and provides monthly comprehensive fuel management reports that fleet managers can use to track and control fuels costs.

Revenues and Expenditures

The program anticipates revenues of \$12,560 in fiscal 2002 and \$12,757 in fiscal 2003. These amounts are decreases of 22 percent and 21 percent from base year revenue. Revenues are derived from an administrative fee charged to users as a percent of fuel purchases. The legislature approves the level of the fee. The program anticipates expenses of \$16,742 in fiscal 2002 and \$17,005 in fiscal 2003. These amounts are increases of approximately 2.5 percent and 4.0 percent, respectively, over base year expenses.

Rate Explanation

The legislature approved a rate of 0.5 percent of gross purchases as the rate for the Statewide Fueling Network.

State Procurement Card Account (Fund 06571)**Program Description**

The State Procurement Card Program administers the State's MasterCard contract for the automated processing of small purchases.

Revenues and Expenditures

The program anticipates revenues of \$3,709 in each fiscal year of the 2003 biennium. These amounts are decreases of 50 percent from base year revenue. The program anticipates expenses of \$3,704 in each fiscal year of the 2003 biennium. The primary expense is for procurement card maintenance contracts. These amounts are nearly the same as the base year expenses.

Rate Explanation

The legislature approved a rate of \$1 per card per month as the rate for the State Procurement Card Program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	97,055	(1,076)	0	95,979	(472)	0	96,583	192,562
Operating Expenses	501,057	331,351	0	832,408	(471,052)	0	30,005	862,413
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$598,112	\$330,275	\$0	\$928,387	(\$471,524)	\$0	\$126,588	\$1,054,975
General Fund	598,112	(469,725)	0	128,387	(471,524)	0	126,588	254,975
Federal Special	0	800,000	0	800,000	0	0	0	800,000
Total Funds	\$598,112	\$330,275	\$0	\$928,387	(\$471,524)	\$0	\$126,588	\$1,054,975

Program Description

The Information Services Division (ISD) manages central computer and telecommunications services for state government. Through its central computing services function, the division provides central mainframe computer processing services and network services for statewide data communications networks that access the central mainframe computer. The division plans and coordinates data processing for state agencies and reviews and approves equipment and software acquisitions. It designs and develops data processing applications and provides continuous maintenance support. The division also provides data processing training and support and consulting services for microcomputer and office automation systems. The division manages disaster recovery facilities for critical data processing applications.

The telecommunications function of the division provides local and long distance telephone network services and designs, develops telephone equipment network applications, and serves other telecommunications needs for state agencies. It also manages the statewide 911 emergency telephone services and coordinates use of radio frequencies with local governments.

The division also oversees Geographic Information Systems (GIS) development and the State Accounting, Budgeting, and Human Resources System (SABHRS).

Funding

Nearly all the operations of the Information Services Division are funded with proprietary funds. The program receives general fund to operate the Statewide 911 Emergency Telephone Service. Federal funds are used to maintain the Geographic Information Systems cadastral databases.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					2,923					3,552
Vacancy Savings					(2,787)					(2,806)
Inflation/Deflation					674					1,073
Fixed Costs					2,176					1,374
Total Statewide Present Law Adjustments					\$2,986					\$3,193
DP 3 - PeopleSoft Maintenance - GF	0.00	(476,314)	0	0	(476,314)	0.00	(476,314)	0	0	(476,314)
DP 16 - 911 GF Adjustments to base	0.00	4,815	0	0	4,815	0.00	2,815	0	0	2,815
DP 17 - Statewide GIS Data Base - Federal	0.00	0	0	800,000	800,000	0.00	0	0	0	0
DP 699 - Vacancy Savings at 4 Percent	0.00	(1,212)	0	0	(1,212)	0.00	(1,218)	0	0	(1,218)
Total Other Present Law Adjustments	0.00	(\$472,711)	\$0	\$800,000	\$327,289	0.00	(\$474,717)	\$0	\$0	(\$474,717)
Grand Total All Present Law Adjustments					\$330,275					(\$471,524)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 3 - PeopleSoft Maintenance - GF - The legislature approved moving SABHRS operating system vendor maintenance costs from the general fund to proprietary funds supported by fees and charges imposed on system users.

DP 16 - 911 GF Adjustments to base - The legislature approved funding for increases in miscellaneous operating expenses such as supplies, communications, travel, maintenance, training, and dues.

DP 17 - Statewide GIS Database - Federal - The legislature approved funding to provide contracted services to continue to automate Montana's land parcel information on the statewide GIS Cadastral Database and to provide a program to train local governments in the use of the data.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

Language

For the data network rate, all increases over a rate of \$64.59 are one time only. The executive must use \$64.59 as the base level and justify all increases requested for the 2005 biennium over this level.

Proprietary Rates

Program Description

ISD receives proprietary funding to pay its costs of managing central computer services and telecommunications services for state government. Proprietary funds pay the expenses of the central computing services function along with the other information system management services the division provides. The division provides central mainframe computer processing services and network services for statewide data communications networks that access the central mainframe computer.

The division's telecommunications function receives proprietary funds to pay the costs of providing local and long distance telephone network services and the costs of designing and developing telephone equipment network applications.

The division also receives proprietary funds for a portion of the costs of the Montana Geographic Information Systems project and for most of the costs of the SABHRS program. SABHRS is housed in the division and is responsible for the operation and maintenance of the Montana Budget Analysis and Reporting System (MBARS) and the PeopleSoft human resource, financial, and asset management systems.

Revenues and Expenses

The division receives revenues from charges to agencies for agency use of the central computer and telecommunications systems of the state. Revenues are forecasted to be nearly \$31.4 million in fiscal 2002 and nearly \$31.1 million in fiscal 2003. These revenues are roughly 6 percent over the revenues received during the base year. The division uses these revenues to pay personal service and other operating costs associated with planning, administering, and operating the central computer and telecommunications systems of the state. Expenditures are forecasted to be nearly \$31.0 million in fiscal 2002 and just over \$31.1 million in fiscal 2003. These expenses are increases of nearly 12 percent for each year of the 2003 biennium.

Revenues relating to the internal service fund are mainly from four major revenue centers:

- ?? Computing Technology Services Bureau (CTSB): revenues are generated from state mainframe and mid-tier processing rates and are based upon central processing unit (CPU) seconds or other per transaction rates and client server contracts. Local area network support is based upon an hourly service rate.
- ?? Network Technology Services Bureau (NTSB) - Network Services Section: desktop services rates are charged on a monthly or yearly basis and are assessed for each workstation or installation.
- ?? Network Technology Services Bureau (NTSB) - Voice Services Section: voice telecommunication rates are charged on equipment counts and on actual long distance usage.
- ?? SABHRS Services Bureau: SABHRS support unit rates are based on fiscal 2000 actual FTE, with exceptions for the Benefits Bureau of the Department of Administration and the Montana University System. The Benefits Bureau and Montana University System are each assessed a negotiated amount.

Rate Explanation

The legislature approved the following rates for the Information Services Division:

- ?? Data network fee: \$72.60 for each year of the 2003 biennium
- ?? Statewide Accounting, Budgeting, and Human Resource System (SABHRS) allocation to agencies: \$4,168,460 in fiscal 2002 and \$4,211,734 in fiscal 2003
- ?? All remaining operations of the division: 45-day working capital reserve

The legislature also intended that for the data network rate, all increases over a rate of \$64.59 are one time only. As such, the legislature intended that the executive must use \$64.59 as the base level for the data network rate and justify all increases requested for the 2005 biennium over this level.

Significant Present Law

DP 1 - Oracle Enterprise License Agreement (ELA) - When the legislature approved the fees and charges for the division, it concurred with providing funding for the Oracle Enterprise Licensing Agreement (ELA).

DP 2 - Wide Area Network and Internet Growth - When the legislature approved the fees and charges for the division, it concurred with providing funding for hardware, software and circuits for the state wide area data networks (SUMMITNET) and to install a second Internet connection to SUMMITNET, expand the current network, add additional bandwidth at existing sites, and support new applications to be developed for the delivery of services by state agencies.

DP 4 - PeopleSoft Maintenance - When the legislature approved the fees and charges for the division, it concurred with funding PeopleSoft maintenance with proprietary funds instead of the general fund.

DP 5 - SABHRS Finance & HRMS Upgrade Support - When the legislature approved the fees and charges for the division, it concurred with providing funding for the addition of 7.00 FTE and associated operation costs to support ongoing upgrades of the PeopleSoft software.

DP 6 - SABHRS Finance & HRMS Production Support - When the legislature approved the fees and charges for the division, it concurred with providing funding for the addition of 2.00 FTE and related costs for production support services for the Finance and Human Resource Management System (HRMS) Sections.

DP 7 - SABHRS Archival and Retrieval - When the legislature approved the fees and charges for the division, it concurred with providing funding for contracted services and computer software and hardware to develop and implement and archival plan for SABHRS.

DP 8 - SABHRS Consultant Services - When the legislature approved the fees and charges for the division, it concurred with providing funding for the SABHRS Support Bureau to contract with consulting groups when it is necessary to obtain specific expertise.

New Proposals

DP 2 - Electronic Government - When the legislature approved the fees and charges for the division it concurred with providing funding to add 1.00 FTE grade 16, information systems support specialist to provide oversight of the private vendor selected to develop and operate a state Internet electronic government portal and a statewide Intranet.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	309,360	52,999	0	362,359	60,029	0	369,389	731,748
Capital Outlay	0	0	0	0	0	0	0	0
Transfers	0	933,055	0	933,055	933,055	0	933,055	1,866,110
Debt Service	32,050	0	0	32,050	0	0	32,050	64,100
Total Costs	\$341,410	\$986,054	\$0	\$1,327,464	\$993,084	\$0	\$1,334,494	\$2,661,958
General Fund	341,410	52,999	0	394,409	60,029	0	401,439	795,848
Capital Projects	0	933,055	0	933,055	933,055	0	933,055	1,866,110
Total Funds	\$341,410	\$986,054	\$0	\$1,327,464	\$993,084	\$0	\$1,334,494	\$2,661,958

Program Description

The General Services Program manages repair, maintenance, and construction services for state agencies in the Capitol complex and several state-owned buildings in the Helena area. Services the program provides include locksmith, painting, remodeling, architectural, and construction. The program operates a recycling program in the Helena area. The program supervises contracts for mechanical maintenance, pest control, janitorial services, elevator repair/maintenance, security, major maintenance, and garbage collections for state-owned buildings and provides assistance to all state agencies to procure leased space. The program also provides professional and technical facility management assistance to agencies that are located within a ten-mile radius of the Capitol complex.

Funding

Funding for the General Services Program is primarily from proprietary funds not included in the HB 2 budget, which the program receives by charging rent to state agencies. Agencies pay rent on office and warehouse space in state buildings located mostly on the capitol complex.

The program is also funded by a general fund appropriation that is counted as a rent expense, although it is actually transferred as revenue into the general services proprietary account. The general fund support is to pay the costs of maintaining "common areas" such as office space for the Senate and House of Representatives, the Governor's mansion, public display areas in the Historical Society Museum, and some office space in the museum building. The common areas account for about 20 percent of the capitol complex office space. The legislature approved a request to supplement rent payments with \$1.87 million funding from the Capitol Land Grant Trust for the 2003 biennium.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Fixed Costs				64,094					71,124
Total Statewide Present Law Adjustments				\$64,094					\$71,124
DP 10 - Replace Rent Payments With Capitol Land Grant									
0.00	0	0	0	933,055*	0.00	0	0	0	933,055*
DP 30 - Deferred Maintenance									
0.00	(11,095)	0	0	(11,095)	0.00	(11,095)	0	0	(11,095)
Total Other Present Law Adjustments									
0.00	(\$11,095)	\$0	\$0	\$921,960*	0.00	(\$11,095)	\$0	\$0	\$921,960*
Grand Total All Present Law Adjustments				\$986,054*					\$993,084*

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 10 - Replace Rent Payments With Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 30 - Deferred Maintenance - The legislature reduced funding to defer maintenance for the carriage house at the original Governor's mansion.

Proprietary Rates

Program Description

General Services Program (Fund 06528)

The General Services Program manages repair, maintenance, and construction services for state agencies in the Capitol complex and several state-owned buildings in the Helena area. General services also manages a recycle program in the Helena area for office waste paper products and provides professional and technical facility management assistance to agencies that are located within a ten-mile radius of the Capitol complex.

Revenues and Expenses

The program is forecasting revenues of \$5.8 million in fiscal 2002 and \$5.9 million in fiscal 2003. These are increases of 13 percent and 15 percent over base year revenues. The program forecasts expenses of \$5.8 million in fiscal 2002 and \$5.8 million in fiscal 2003. These are increases of 6 percent and 7 percent over the base year. Increases are directly related to the addition of 2.5 FTE and inflationary growth in contracted services and utility costs.

The program states that it tries to maintain a working capital reserve of between 60 and 65 days in the rent and maintenance account to accommodate its billing cycle and to build the reserve for heavy contract payments that occur during the spring and summer months.

Rate Explanation

The legislature approved the following rental rates for the rent costs to agencies occupying space in the buildings controlled by the Department of Administration:

- ?? Office space rent of \$4.77 per square foot per month in fiscal 2002 and \$4.88 per square foot per month in fiscal 2003
- ?? Warehouse space rent of \$2.12 per square foot per month in fiscal years 2002 and 2003

Significant Present Law

DP 4 - Add'l 0.25 FTE Janitorial Oversight & Recycling - When the legislature approved the rental rates for the program, it concurred with providing funding to add 0.25 FTE grade 12, program specialist to bring a janitorial oversight and recycling coordinator to 1.0 FTE.

DP 5 - Other Services - When the legislature approved the rental rates for the program, it concurred with providing funding for cost increases in the following areas: 1) janitorial contracts; 2) caretaker services; 3) elevator maintenance; 4) mechanical service; and 5) security protection.

DP 6 - Supplies & Communications - When the legislature approved the rental rates for the program, it concurred with providing funding for: 1) the acquisition of tools and supplies; 2) increased telephone equipment charges; and 3) cellular telephones for on-call staff.

DP 7 - Rent, Repairs, & Utilities - When the legislature approved the rental rates for the program, it concurred with providing funding for net reductions of the base with the following factors involved: 1) vehicle rental increases; 2)

building rent reductions; 3) energy cost increases; and 4) trash removal contract increases.

DP 8 - Paint, Other Expenses, & Equipment - When the legislature approved the rental rates for the program, it concurred with providing funding for: 1) the purchase of bulk paint for the Capitol complex; 2) an increase in dues to the National Association of State Facilities Administrators; 3) a projected increase in assessments levied by the City of Helena and Lewis and Clark County; 4) increases for indirect and administrative costs paid to proprietary funded programs of the department for network support, accounting and budgeting support, payroll support, and legal services; and 5) the purchase of a man-lift for maintenance around the Capitol complex.

New Proposals

DP 3 - Personal Services 2.5 FTE - When the legislature approved the rental rates for the program, it concurred with providing funding to add 2.5 FTE to provide: 1) professional and technical support on mechanical engineering issues; 2) assistance to agencies on facility security issues; and 3) assistance to the office waste recycling program.

Program Description

The Central Mail Bureau manages mail service for state agencies and also manages the Post Office located in the Capitol building. This program derives its authority from 2-17-301, MCA.

Funding

The program is funded with proprietary funds.

Proprietary Rates**Program Description**

The Mail and Distribution Program provides qualified mailroom staff to operate a centralized mailing operation. Services provided by the program include: 1) mail pick-up and delivery in agency offices; 2) metering of all out-going U.S. mail; 3) bar coding qualified mailings to qualify for postal rate savings; 4) delivery of all inter-agency printed communications, also known as "Deadhead Mail"; 5) operation of a Postal Contract Station with locked mail boxes; 6) providing the services of United Parcel Service (UPS) to agencies; and 7) providing express mail service.

Revenues and Expenses

The program anticipates revenues of \$3.6 million in fiscal 2002 and \$3.6 million in fiscal 2003. These amounts are decreases of 2 percent from base year revenue. The program anticipates expenses of \$3.6 million in fiscal years 2002 and 2003. These amounts are increases of approximately 7 percent and 6 percent, respectively, over base year expenses.

Rate Explanation

The legislature approved a rate for interagency mail to allow operating costs up to \$171,655 in each fiscal year to be allocated to agencies. For the remaining portions of the program the legislature approved a rate based on maintaining no more than 60 days of working capital reserve.

Significant Present Law

DP 1 - Other Fixed Costs - When the legislature approved fees and charges for the Mail & Distribution Bureau, it concurred with providing funding for increases in department indirect/administrative costs for services received from the proprietary funded centralized service functions of the agency.

DP 2 - Request Add'l 0.33 FTE For Programmer - When the legislature approved fees and charges for the Mail & Distribution Bureau, it concurred with providing funding to add 0.33 FTE grade 15, programmer/analyst to provide dedicated programming and computer support.

DP 3 - Installment Purchase of Mailing Equipment - When the legislature approved fees and charges for the Mail & Distribution Bureau, it concurred with removing funding for the installment purchase of equipment that was originally purchased in fiscal 1999 via an installment purchase program and will be paid off in the 2003 biennium.

DP 4 - Overtime & US Postal Service Rate Increase - When the legislature approved fees and charges for the Mail & Distribution Bureau, it concurred with providing funding for overtime and postage rate increases.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	0.00	0.00	24.25	24.25	0.00	24.25	24.25	24.25
Personal Services	0	0	1,026,943	1,026,943	0	1,032,048	1,032,048	2,058,991
Operating Expenses	0	0	460,941	460,941	0	458,767	458,767	919,708
Total Costs	\$0	\$0	\$1,487,884	\$1,487,884	\$0	\$1,490,815	\$1,490,815	\$2,978,699
State/Other Special	0	0	1,487,884	1,487,884	0	1,490,815	1,490,815	2,978,699
Total Funds	\$0	\$0	\$1,487,884	\$1,487,884	\$0	\$1,490,815	\$1,490,815	\$2,978,699

Program Description

The Banking and Financial Institutions Division supervises, regulates, and examines: 1) state-chartered banks, trust companies, savings and loans, and credit unions; 2) consumer loan and sales finance companies; 3) escrow companies; 4) foreign capital depositories in accordance with Title 32, MCA; and 5) deferred deposit loan companies.

The division supervises state financial institutions to determine whether these institutions are operating in a safe and sound manner. The supervisory function of regulated financial businesses is accomplished through on-site safety and soundness examinations conducted by division examiners.

Funding

The division is funded with state special revenues generated from: 1) bank assessments and application fees; 2) credit union supervisory and examination fees; 3) consumer loan examination fees; 4) consumer loan/sales finance licenses; and 5) foreign capital depository application, charter, charter renewal, and examination (audit) fees, if received.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 445 - SB 445 - Commerce Department Reorganization										
14	24.25	0	1,487,884	0	1,487,884	24.25	0	1,490,815	0	1,490,815
Total	24.25	\$0	\$1,487,884	\$0	\$1,487,884	24.25	\$0	\$1,490,815	\$0	\$1,490,815

New Proposals

DP 445 - SB 445 - Commerce Department Reorganization - The legislature passed SB 445, which moved portions of the Department of Commerce to the Department of Administration. Funding associated with the Banking and Financial Division previously performed by the Department of Commerce was moved to this new program of the department. When this function was moved, the net effect of their base budgets and all adjustments made by the legislature was moved as well. In summary, the legislature had made the following adjustments to the fiscal 2000 base budget of \$1,236,835 state special revenue for the Banking and Financial Division (amounts are for the biennium unless otherwise noted):

- ?? A state special revenue increase of \$92,584 to allow for the travel of examination staff based on full staffing levels
- ?? A state special revenue increase of \$5,218 to allow the department to replace the remaining two department-owned minivans at the Billings office with leased minivans
- ?? A state special revenue increase of \$88,676 to fund increases in overtime, board member per diem, computer lease costs, and indirect costs
- ?? A state special revenue reduction of \$172 to adjust for lower data network support fees and charges approved by the legislature
- ?? A state special revenue reduction of \$29,280 to increase the statewide vacancy savings rate to 4 percent and include the state share of health insurance premiums in the calculation for determining the amount

The narrative for the Department of Commerce shows all base expenditures and adjustments made by the legislature prior to the enactment of SB 445 for historical purposes.

Language

The department is appropriated in each of the fiscal years 2002 and 2003 up to \$500,000 of state special revenue that is deposited in the account established for the purpose of processing charter applications and for the chartering, examination, and regulation of each foreign capital depository that obtains a charter under the provisions of 32-8-205, MCA.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	0.00	0.00	31.50	31.50	0.00	31.50	31.50	31.50
Personal Services	0	0	1,195,883	1,195,883	0	1,202,766	1,202,766	2,398,649
Operating Expenses	0	0	6,224,860	6,224,860	0	6,538,287	6,538,287	12,763,147
Equipment	0	0	361,600	361,600	0	17,700	17,700	379,300
Debt Service	0	0	1,145,578	1,145,578	0	1,145,577	1,145,577	2,291,155
Total Costs	\$0	\$0	\$8,927,921	\$8,927,921	\$0	\$8,904,330	\$8,904,330	\$17,832,251
Proprietary	0	0	8,927,921	8,927,921	0	8,904,330	8,904,330	17,832,251
Total Funds	\$0	\$0	\$8,927,921	\$8,927,921	\$0	\$8,904,330	\$8,904,330	\$17,832,251

Program Description

The Montana State Lottery Program designs and markets lottery games that allow players to purchase chances to win a prize. The lottery presently offers a variety of games, some in cooperation with other lotteries through the Multi-state Lottery Association (MUSL). Montana Cash is exclusive to Montana. A five-member State Lottery Commission, appointed by the Governor, sets policy and oversees program activities and procedures. The remaining net revenue, after sales commissions and operating expenses, is deposited in the general fund on a quarterly basis.

Funding

The Montana State Lottery is funded from an enterprise fund with revenue derived primarily from the sale of lottery tickets. The lottery also assesses a one-time \$50 fee to applicants for lottery retailer licenses. This fee is established in state statute. The fees charged are established by the State Lottery Commission as authorized by Title 23, Chapter 7, Part 202 (5), MCA. The commission has set the price of each on-line game ticket at \$1.00. Scratch ticket games cost either \$1.00 or \$2.00, depending upon the specific game. Lottery revenues provide funding for 31.50 FTE. A 60-day working capital balance is used to maintain operations because receivables are collected on a 7- to 30-day basis. Winners may be paid daily and the on-line gaming vendors must be paid weekly. The fund equity balance only includes contributed capital.

The Fifty-sixth Legislature passed SB 55, which changed the requirement to submit a budget and establish appropriations for certain proprietary funds that transfer excess revenues to the general fund. The Montana State Lottery Proprietary Fund falls under that requirement, and their budget is appropriated in HB 2.

New Proposals										
Prgm	Fiscal 2002					Fiscal 2003				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 445 - SB 445 - Commerce Department Reorganization										
15	31.50	0	0	0	8,927,921*	31.50	0	0	0	8,904,330*
Total	31.50	\$0	\$0	\$0	\$8,927,921*	31.50	\$0	\$0	\$0	\$8,904,330*

New Proposals

DP 445 - SB 445 - Commerce Department Reorganization - The legislature passed SB 445, which moved portions of the Department of Commerce to the Department of Administration. Funding associated with the Montana State Lottery previously performed by the Department of Commerce was moved to this new program of the department. When this function was moved, the net effect of their base budgets and all adjustments made by the legislature was moved as well. In summary, the legislature had made the following adjustments to the fiscal 2000 base budget of \$6,742,950 for the Montana State Lottery (amounts are for the biennium unless otherwise noted):

?? A proprietary fund increase of \$345,000 for the Lottery to purchase additional on-line gaming system terminals, to be installed in locations currently selling tickets via a dedicated circuit only, and also in locations

currently selling scratch games only (The legislature designated this as a one-time-only appropriation and inserted language requiring the Lottery to report to the 2003 legislature on the status and results related to the purchase and placement of the additional on-line terminals.)

- ?? A proprietary fund increase of \$31,200 to accommodate anticipated increases in the division's current lease contract at 2525 N. Montana Avenue
- ?? A proprietary fund increase of \$27,200 to fund the replacement of eight personal computers in each year of the biennium
- ?? A proprietary fund increase of \$2,929,605 to fund increased operating expenses within the Montana State Lottery (Increases and the approximate values include: 1) carry-over of per diem - \$1,350 each year; 2) contract services for Lottery Vendor Fees - \$480,000 in fiscal 2002 and \$660,000 in fiscal 2003; 3) reestablishment of principal payments and reduction of interest payments from base year, for a net increase of \$900,000 per year (fiscal 2000 expenditures total \$900,000, but did not carry over into base expenditures); 4) indirect costs - \$7,000 in fiscal 2002 and \$8,000 in fiscal 2003; and 5) a reduction in equipment funding from the base year - \$28,000 each year.)
- ?? A proprietary fund reduction of \$622 to adjust for lower data network support fees and charges approved by the legislature
- ?? A proprietary fund reduction of \$31,968 to increase the statewide vacancy savings rate to 4 percent and include the state share of health insurance premiums in the calculation for determining the amount
- ?? A proprietary fund increase of \$898,000 to fund an increase in the number of scratch games offered to players (This increase supports ticket production and the purchase of ticket dispensers that are designed to display and secure the new tickets.)
- ?? A proprietary fund increase of \$200,000 to fund increased operating costs relative to the addition of at least one new on-line game per year of the biennium (The games would be offered in addition to existing on-line games.)

The narrative for the Department of Commerce shows all base expenditures and adjustments made by the legislature prior to the enactment of SB 445 for historical purposes.

Language

The department shall report to the 2003 legislature on the status and results related to the purchase and placement of additional on-line terminals funded in item [Online Terminals].

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	22.50	0.00	(0.84)	21.66	0.00	(0.84)	21.66	21.66
Personal Services	862,205	32,818	(21,490)	873,533	37,850	(21,564)	878,491	1,752,024
Operating Expenses	258,516	(13,060)	0	245,456	(14,505)	0	244,011	489,467
Total Costs	\$1,120,721	\$19,758	(\$21,490)	\$1,118,989	\$23,345	(\$21,564)	\$1,122,502	\$2,241,491
General Fund	1,116,125	(2,246)	(21,490)	1,092,389	541	(21,564)	1,095,102	2,187,491
State/Other Special	4,596	22,004	0	26,600	22,804	0	27,400	54,000
Total Funds	\$1,120,721	\$19,758	(\$21,490)	\$1,118,989	\$23,345	(\$21,564)	\$1,122,502	\$2,241,491

Program Description

The State Personnel Division provides state agencies with a comprehensive program of personnel administration that includes: 1) training; 2) position classification and pay; 3) collective bargaining and labor relations; and 4) equal employment and affirmative action administration. The division publishes state rules, standards, and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, and other personnel matters. The division administers benefits plans that include: 1) health, life, dental, and vision insurance; 2) flexible spending accounts; 3) deferred compensation; 4) a sick leave fund; and 5) employee incentive awards and health promotion. The division also prepares, maintains, and distributes payroll for all state employees.

Funding

Funding for general personnel administration functions is from the general fund. The Employee Benefits Bureau is funded from the investment earnings of the state employees benefits fund. The Employee Benefits Bureau also receives a minor general fund appropriation for administration of the employee incentive program and sick leave administration. The Professional Development Center is funded with proprietary fees charged to state agencies for training services. The State Payroll Unit is funded with proprietary fees charged to state agencies for payroll processing services.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				88,752					94,049
Vacancy Savings				(25,958)					(26,117)
Inflation/Deflation				552					993
Fixed Costs				1,762					2,643
Total Statewide Present Law Adjustments				\$65,108					\$71,568
DP 1 - Operating Cost Changes									
0.00	(38,646)	22,004	0	(16,642)	0.00	(42,189)	22,804	0	(19,385)
DP 4 - Additional 1 Percent Vacancy Savings									
0.00	(9,510)	0	0	(9,510)	0.00	(9,563)	0	0	(9,563)
DP 696 - Data Network Fixed Cost Reduction									
0.00	(270)	0	0	(270)	0.00	(270)	0	0	(270)
DP 698 - Rent Reduction - Use of Capitol Land Grant									
0.00	(6,847)	0	0	(6,847)	0.00	(6,871)	0	0	(6,871)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(12,081)	0	0	(12,081)	0.00	(12,134)	0	0	(12,134)
Total Other Present Law Adjustments									
0.00	(\$67,354)	\$22,004	\$0	(\$45,350)	0.00	(\$71,027)	\$22,804	\$0	(\$48,223)
Grand Total All Present Law Adjustments				\$19,758					\$23,345

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Operating Cost Changes - The legislature approved funding for: 1) costs to make building rent payments for the daycare center in Helena; 2) additional travel costs to attend recruitment fairs at state and tribal colleges and universities; and 3) increases in department indirect/administrative costs for services received from the proprietary funded centralized service functions of the agency.

The legislature intends that funding for the daycare to be limited only to paying the building rent costs.

DP 4 - Additional 1 Percent Vacancy Savings - The legislature reduced total personal services by an additional 1 percent per year based on historical average vacancy trends.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 689 - FTE Reduction										
23	(0.84)	0	0	0	0	(0.84)	0	0	0	0
DP 690 - Personal Services General Fund Reduction										
23	0.00	(21,490)	0	0	(21,490)	0.00	(21,564)	0	0	(21,564)
Total	(0.84)	(\$21,490)	\$0	\$0	(\$21,490)	(0.84)	(\$21,564)	\$0	\$0	(\$21,564)

New Proposals

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

DP 690 - Personal Services General Fund Reduction - The legislature reduced general fund personal services funding at a level equivalent to the general fund share of 1 percent of authorized FTE. No FTE were reduced.

Language

Item [State Personnel Division] includes a reduction of \$21,490 general fund in fiscal 2002 and \$21,564 general fund in fiscal 2003. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Proprietary Rates

Program Description

The State Personnel Division manages three proprietary programs: 1) the Professional Development Center; 2) the Employee Benefits program, which includes the state's health insurance plan; and 3) the State Payroll Unit.

Professional Development Center (Fund 06525)

Program Description

The Professional Development Center (PDC) provides a variety of training and facilitation services to state agencies on a fee reimbursement basis. About 1 percent of the program revenues come from the sale of guidebooks and other publications. The PDC is currently funded with proprietary funds generated through fees charged for training services. The program has a staff of 3.0 FTE and also funds a small portion of an accounting technician position in the division.

Revenues and Expenses

Historically, demand for services has been measured by the number of participants being served. This measure is variable and difficult to predict from quarter to quarter. Total participants served in recent fiscal years are as follows:

- ?? Fiscal 1998 (2,898 participants)
- ?? Fiscal 1999 (2,279 participants)
- ?? Fiscal 2000 (3,210 participants)

The program projects revenues of \$238,380 in fiscal 2002 and \$239,654 in fiscal 2003, which are increases of approximately 1.0 percent in fiscal 2002 and 1.5 percent in fiscal 2003 over base year revenues. The program projects expenses of \$235,022 in fiscal 2002 and \$235,577 in fiscal 2003, which are roughly equal to base year expenses. By the end of the biennium the program would have built up a fund balance of approximately \$7,400. Optimally, the PDC should have a 60-day operating reserve (about \$38,000). The program faced a severe revenue shortfall in fiscal 1999, just prior to the implementation of SABHRS, due to unusually low registrations. Agency demands for PDC trainings were down during this period when employees required extensive computer trainings, which are not offered by the PDC. The PDC increased its rates in the middle of fiscal 2000 to \$90 for a full day course and \$60 for a half-day course, in an effort to boost revenues. The program is concerned that another rate increase would discourage attendance rather than increase revenues.

Rate Explanation

The legislature approved a rate of \$113 per hour for each year of the 2003 biennium for services provided by the Professional Development Center.

Employee Benefits Program (Fund 06559)

Program Description

The Employee Benefits program provides a variety of insurance products for 30,000 state employees, former employees, and their dependents. Funding for the insurance comes from paid premiums. The state of Montana, as the employer, pays a state share contribution toward premium costs as part of the employees' benefits. Additional premiums are collected for dependent, retiree, and COBRA benefit coverage. The Employee Benefits program is charged with aggressively monitoring the health care market, providers, and regulatory agencies in order to maintain a high quality, cost effective, employee benefit plan that insulates state employees, retirees, and their families from financial harm due to illness or injury. The program works with the Montana Association of Health Care Purchasers on the joint purchase of cost-effective managed care plans. The program currently has a staff of 9.64 FTE.

Revenues and Expenses

The program projects revenues of \$66.6 million in fiscal 2002 and \$76.0 million in fiscal 2003, which are increases of 11

percent and 27 percent over base year revenues. Expenses are projected to be \$71.6 million in fiscal 2002 and \$78.5 million in fiscal 2003, which are increases of 14 percent and 25 percent over base year expenses.

Rate Explanation

Because state employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of the premiums paid by the state is statutorily established in 2-18-703, MCA, and because the employee-paid portion of these premiums must be adjusted from time to time to meet the requirements of 2-18-812(1), MCA, to maintain state employee group benefit plans on an actuarially sound basis, the legislature defines "rates and fees" for state employee benefit programs to mean the state contribution toward employee group benefits provided for in 2-18-703, MCA, and the employee contribution toward employee group benefits necessary to meet the requirements of 2-18-812(1), MCA. The state contributions currently included in personnel services costs for fiscal years 2002 and 2003 is the fiscal 2001 rate of \$295 per month. HB 13, the pay plan bill, contains the rate increases for the 2003 biennium. The monthly state contribution will be: 1) \$295 from July 2001 through December 2001; 2) \$325 from July 2002 through December 2002; and 3) \$366 beginning in January 2003.

Significant Present Law Adjustments

DP 2 - Workload Increases and Additional Services - By approving the rates for the employee benefit plan, the legislature concurs with funding increases for: 1) increases in department indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency; 2) a 5 percent annual increase in employee benefit consulting services; 3) contracted services for a project to negotiate discounts with medical providers; 4) a biennial audit of medical and prescription drug claims; and 5) an updated employee benefits booklet. The legislature also concurs with funding the addition of 3.25 FTE to cover workload increases resulting from the conversion to SABHRS and increases in the number and variety of benefit options available to state employees and their dependents.

DP 3 - Health Insurance/Benefit Cost Increases - By approving the rates for the employee benefit plan, the legislature concurs with funding net health insurance and benefit cost increases due to: 1) increased third party administrator costs; 2) the institution of a focused managed care program; 3) changes in the prescription drug program (program savings); and 4) anticipated increases in plan participation.

State Payroll Unit (Fund 06563)**Program Description**

The State Payroll Unit of the Payroll and Benefits Operations Bureau processes, distributes, reports, and accounts for payroll, benefits, and associated withholding and deductions for 12,000 state employees in the executive, legislative, and judicial branches. The bureau is currently staffed with 5.5 FTE.

Revenues and Expenses

The unit is projecting revenues of \$358,604 in fiscal 2002 and \$367,908 in fiscal 2003, which are increases of 16 percent in fiscal 2002 and 19 percent in fiscal 2003. Expenses are projected to be \$369,127 in fiscal 2002 and \$325,964 in fiscal 2003, which are an increase of 3.5 percent in fiscal 2002 and a decrease of 8.6 percent in fiscal 2003 from the base year expenditures.

Rate Explanation

The legislature approved rates for the Payroll Unit as the maximum amount of costs to be allocated to agencies. The legislature set the rates at \$356,958 in fiscal 2002 and \$366,248 in fiscal 2003 for payroll service fees.

Program Description

The Risk Management & Tort Defense Division (RMTD) insures state agencies against risk of loss for property, commercial vehicles, boiler, airport, aircraft, fidelity bonds, and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage auto insurance on certain state-owned vehicles and on all leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration and legal defense to prevent or minimize the adverse effects of physical or financial loss. This division operates under the authority of 2-9-202, MCA.

Funding

The program is funded with proprietary funds.

Proprietary Rates**Program Description**

The Risk Management & Tort Defense Division (RMTD) insures state agencies against risk of loss for property, commercial vehicles, boilers, airports, aircraft, fidelity bonds, and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage automobile insurance on certain state-owned vehicles and on all leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss.

The Department of Administration is authorized by Section 2-9-202, MCA, to accumulate a self-insurance fund to pay for self-insured losses, to purchase insurance, and to fund operations. The stated funding objective for the self-insurance portion of the program is to maintain insurance rates sufficient to sustain consecutive "three-year average" loss experiences of \$4.7 million over fiscal 2002 and fiscal 2003. This \$4.7 million dollar amount is based on average costs sustained. The State of Montana has tort damage caps of \$750,000 per claim or \$1,500,000 per occurrence. Because the state performs diverse and high-risk functions, three or four large catastrophic claims in any given year could drive the self-insurance fund balance to zero.

To set rates for the commercial insurance premium cost portion of the program, which is allocated to agency budgets as part of fixed costs, the program calculates the actual base year premiums paid to commercial carriers and adds on a percentage of increase. The program determines the amount of the percentage increase by talking to industry experts and brokers to get their opinions about how much commercial premiums will be in the upcoming biennium.

Revenues and Expenses

With the rates approved by the legislature, the program would receive revenue of \$8.5 million in fiscal 2002 and \$9.1 million in fiscal 2003. These amounts are approximately 24 percent and 33 percent, respectively, over base year revenue. At that level of funding, the program will generate enough revenue to fund the average of losses sustained in the last three years. The program experienced a 71 percent increase in estimated tort claims liability in fiscal 2000 that significantly increased the base year operations. The program's actual base year operations expenditures were \$11.8 million. The program anticipates actual expenditures of \$12.2 million in fiscal 2002 and \$12.3 million in fiscal 2003, which are both increases of approximately 4 percent over base year expenditures, not including estimated tort claims liability. The program anticipates estimated tort claims liability to remain at this level for the 2003 biennium.

Rate Explanation

The legislature approved the following rates for Risk Management and Tort Defense self-insurance premiums to agencies:

?? General liability (total allocation to agencies) \$5,362,500 in fiscal 2002 and \$5,775,000 in fiscal 2003

?? Automobile liability (total allocation to agencies) \$1,137,500 in fiscal 2002 and \$1,225,000 in fiscal 2003

- ?? Property (total allocation to agencies) \$1,200,500 in fiscal 2002 and \$1,270,930 in fiscal 2003
- ?? Airport/aircraft (total allocation to agencies) \$116,567 in fiscal 2002 and \$128,222 in fiscal 2003
- ?? All other lines (total allocation to agencies) \$239,413 in fiscal 2002 and \$258,508 in fiscal 2003

Significant Present Law

DP 2 - Contracted Services - By approving the premium rates the legislature concurs with providing funding for increased costs for adjusting firms, attorneys, actuarial consulting firms, insurance brokers, and appraisal firms. The increases are due to: 1) projected increases in the hourly fees charged by consultants; and 2) anticipated increase in the amount of work being sent to the consultants to address workload issues.

DP 3 - Other Fixed Costs - By approving the premium rates the legislature concurs with providing funding for increases in department indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

DP 4 - Insurance Procurement & Administration - By approving the premium rates the legislature concurs with providing funding for increases in insurance premiums paid to commercial property and casualty insurance companies.

DP 5 - Rent - By approving the premium rates the legislature concurs with providing funding for increased rent and utility costs the division will incur as the result of being moved to the USF&G Building.

New Proposals

DP 1 - Additional 3.0 FTE - By approving the premium rates the legislature concurs with providing funding to add 3.0 FTE to address workload increases anticipated because of: 1) the assumption by the Department of Transportation of maintenance responsibilities on paved secondary roads; and 2) an increasing trend in the number of property and casualty claims and lawsuits being made against the state.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	9.00	0.00	(2.00)	7.00	0.00	(2.00)	7.00	7.00
Personal Services	195,328	56,124	(58,289)	193,163	57,636	(58,483)	194,481	387,644
Operating Expenses	85,238	(7,637)	0	77,601	(7,247)	0	77,991	155,592
Local Assistance	2,759	0	0	2,759	0	0	2,759	5,518
Total Costs	\$283,325	\$48,487	(\$58,289)	\$273,523	\$50,389	(\$58,483)	\$275,231	\$548,754
General Fund	283,325	48,487	(58,289)	273,523	50,389	(58,483)	275,231	548,754
Total Funds	\$283,325	\$48,487	(\$58,289)	\$273,523	\$50,389	(\$58,483)	\$275,231	\$548,754

Program Description

The State Tax Appeal Board provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally assessed property and new industry property, gasoline and vehicle fuels taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies. The board does not pay for office equipment.

Funding

The board is funded entirely by the general fund.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				109,431					111,303
Vacancy Savings				(8,187)					(8,243)
Inflation/Deflation				(19)					(19)
Fixed Costs				(272)					2
Total Statewide Present Law Adjustments				\$100,953					\$103,043
DP 1 - Miscellaneous Operating Costs	0.00	(46,016)	0	0	(46,016)	0.00	(46,178)	0	0
DP 696 - Data Network Fixed Cost Reduction	0.00	(76)	0	0	(76)	0.00	(76)	0	0
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(2,370)	0	0	(2,370)	0.00	(2,378)	0	0
DP 699 - Vacancy Savings at 4 Percent	0.00	(4,004)	0	0	(4,004)	0.00	(4,022)	0	0
Total Other Present Law Adjustments	0.00	(\$52,466)	\$0	\$0	(\$52,466)	0.00	(\$52,654)	\$0	\$0
Grand Total All Present Law Adjustments				\$48,487					\$50,389

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Miscellaneous Operating Costs - The legislature approved adjustments that provide net reductions of budget authority. The factors for the adjustment are increases for: 1) department indirect/administrative costs for services received from the proprietary funded centralized service functions of the agency; and 2) per diem at the base level for county tax appeal board members to attend meetings to hear appeals or meetings called by the state tax appeal board. The factors that decreased the budget are: 1) removal of base year expenditures for computer equipment that would not be needed during the 2003 biennium; 2) removing a budget system generated adjustment to the base for health insurance for an aggregate position in which the incumbents are hired at less than 0.5 FTE and do not individually qualify for health insurance benefits; and 3) additional vacancy savings of 16 percent, based on the historical average vacancy rate.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capitol Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount. The legislature imposed a further 16 percent vacancy savings rate (DP 1 above) for a total vacancy savings of 20 percent.

New Proposals		-----Fiscal 2002-----					-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
DP 10 - General Fund Personal Services Reduction											
37	0.00	(58,289)	0	0	(58,289)		0.00	(58,483)	0	0	(58,483)
DP 689 - FTE Reduction											
37	(2.00)	0	0	0	0		(2.00)	0	0	0	0
Total	(2.00)	(\$58,289)	\$0	\$0	(\$58,289)		(2.00)	(\$58,483)	\$0	\$0	(\$58,483)

New Proposals

DP 10 - General Fund Personal Services Reduction - The legislature reduced general fund for personal services associated with positions that had been vacant for more than seven months.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds for these positions were not reduced for the 2003 biennium as a result of this action, but were reduced in a separate action documented in decision package DP 10. The legislature directed that the eliminated positions not be funded in the present law base budget submitted for the 2005 biennium.